



# *MILWAUKEE OFFICE*

## SUBMARKET QUARTERLY REPORT

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QUARTER 1 - 2022

### MARKET OVERVIEW

The overall Class A & B multi-tenant office market gained good momentum in the first quarter, with just under 40,000 square feet of positive absorption. Overall vacancy decreased 0.5% to 20.2% while gross asking rates increased slightly to \$20.66 per foot.

The first quarter saw a continued uptick in general activity (inquiries, showings, and proposals) and a modest increase in deal volume, though still noticeably off pre-pandemic levels. Companies seeking space are assessing their needs in light of the fact that work from home and hybrid work solutions are taking hold. Office space decision makers are seeking quality properties and spaces, top rated management and highly-amenitized buildings, recognizing that the quality of office space has a direct impact on employee hiring and retention. As a result, Class A properties both downtown and in the suburbs have continued to outperform B and C buildings. Two distinct transactions that show this trajectory towards amenities, high-end space and high profile locations are the Old National Bank lease at the Huron building at 511 N Broadway and SoftwareONE's new North American HQ moving from Waukesha to the Dye House in the Historic Third Ward (pictured above).



This competitive landscape has many owners upgrading their properties well beyond the typical cosmetic upgrades and amenities. Additionally, lead times for materials and labor shortages have increased buildout costs and prolonged delivery times, prompting many owners to build out spec suites in order to deliver immediate turnkey solutions.

### SUBLEASE SPACE ON THE MARKET

There is currently 540,011 square feet of sublease space officially on the market. Larger blocks in the CBD include Johnson Financial, approximately 24,972 square feet at 100 East, Quarles & Brady's 46,618 square feet at 411 E. Wisconsin, WageWorks 37,000 square feet at City Center and Manpower's 62,427 square feet at 100 N. Manpower Place. While some of these larger blocks are a result of hybrid-workplace adoption, other large blocks are the result of companies moving to a new location prior to their previous lease expiring -- hoping to backfill and recapture some of the excess rent on the remaining lease term.

Besides the spaces being listed for sublease -- it is also expected that there may be numerous instances of firms with excess/underutilized space that will likely end up as direct vacancy upon lease expiration.

### Market Synopsis

	Downtown*	Suburban
<b>Q1 Absorption</b>	54,001 SF	-14,002 SF
<b>Q1 Sublease SF</b>	345,824 SF	194,187 SF
<b>Vacancy</b>	20.40%	20.08%
<b>Class A Gross (Avg. Rate)</b>	\$30.07	\$23.01
<b>Class B Gross (Avg. Rate)</b>	\$21.75	\$17.83

\*Downtown includes the Downtown East, Downtown West, and Third Ward/Walker's Point submarkets

\*\*See Figure 2 on Pg. 3 for individual submarket absorption data

### Notable Leases and Sales

- Old National Bank leased 20,401 SF at the Huron Building in Downtown Milwaukee
- SoftwareONE leased 19,518 SF at the Dye House in the Historic Third Ward
- Metso Minerals leased 33,000 SF in Brookfield Lakes
- A Military Recruiting Division purchased the 29,297 SF building at 11050 W Liberty Drive in Milwaukee for \$3.85M (\$131.41/SF)
- Ziegler leased 5,160 SF at BMO Tower located at 790 N Water Street
- Irgens purchased 25 acres within the UWM Innovation Campus for \$5.26M (\$210,400/Acre)
- Dohmen sells the block containing the 42,000 SF building at 417 E Chicago Street in the Historic Third Ward to Hovde Properties for \$11M (\$261.90/SF)



## DOWNTOWN OUTLOOK - Downtown East, Downtown West, and Third Ward/Walker's Point

The Downtown submarkets posted 54,001 square feet of absorption and an overall vacancy rate of 20.40%, an improvement of 43 basis points over last quarter.

### Downtown East

Overall vacancy in the first quarter rose slightly from 17.89% to 18.48%. Class A product saw 32,243 square feet of positive absorption resulting in vacancy rates decreasing from 18.94% to 17.37%. Class B saw vacancy increased from 15.27% to 19.73%. The jump was a result of Chase Tower being reclassified from an A property to Class B for reporting purposes. This change resulted in 106,000 sf of vacancy being added to the Class B data set. Overall average asking rents decreased from \$25.64 to \$24.49 per square foot, with Class A rates at \$33.14 per square foot and Class B rates at \$20.40 per square foot.

Old National Bank signed a lease for 20,401 square feet of office space and 2,554 square feet of retail space in the Huron Building. Old National Bank will occupy the entire eighth floor of the 11-story office building at 511 N. Broadway, and plans to open a retail branch in the building's Broadway-facing storefront. The expected move is early 2023.

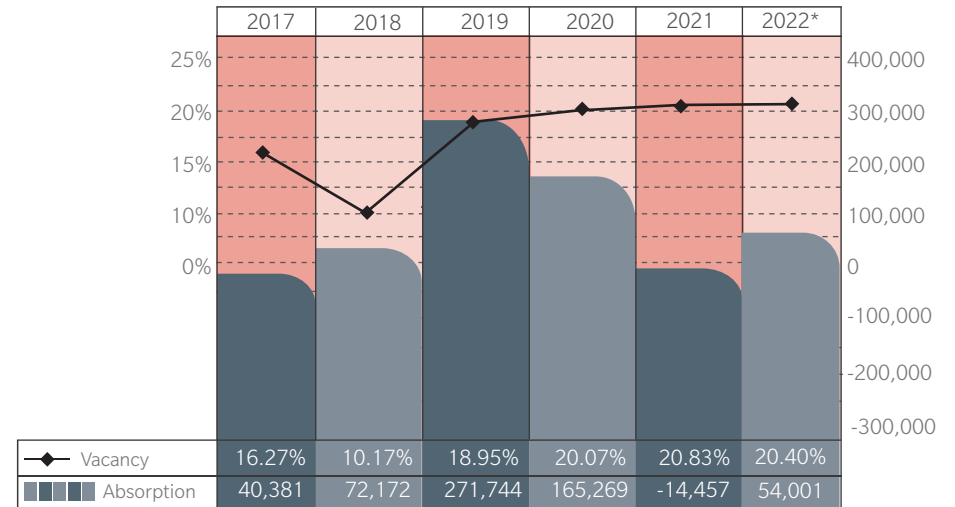
The 35-story, 435,557 SF property at 100 East Wisconsin was listed for sale this quarter. Purchased by Hertz Investment Group LLC in 2016 for \$78 million, the asset is less than 50% occupied and is currently in receivership.

### Downtown West

Though not reflected in the data this quarter, Downtown West remains one of Milwaukee's most desirable and active submarkets. A notable transaction this quarter includes the Milwaukee Bucks lease renewal of 19,369 RSF at Schlitz Park. Milwaukee Tool has begun its initial phases of delivering its 350,000 SF building at 501 W. Michigan St. and has already begun bringing hundreds of employees onsite during Quarter 1. Former office building River Bank Plaza will be converted into 130+ apartments, and the renovation of the 138-unit former Majestic Apartment Building, now called Playbill Flats was completed this quarter, a strong indicator of demand and livability within the submarket. Finally, the long-awaited Third Street Market Hall at the Avenue made its debut in early January creating a new dining and entertainment destination in Westtown.

### Third Ward / Walker's Point

SoftwareONE, a Switzerland-based technology and software portfolio management provider, plans to move its U.S. headquarters from the Town of Brookfield to approximately 20,000 SF on the second floor of the building in the Historic Third Ward. Madison-based developer Hovde Properties, along with its partner Mountain Shore Properties, has purchased an office building at 417 E. Chicago Ave. in the Third Ward for \$11 million, according to state records. Current tenant Eversana has indicated interest in downsizing or relocating, which may point to a redevelopment of the site in the future.



Source: Data provided by Real Estate Database, Inc. (RediComps.com) and augmented by Founders 3 Real Estate Services  
\*Reflects Year-To-Date data



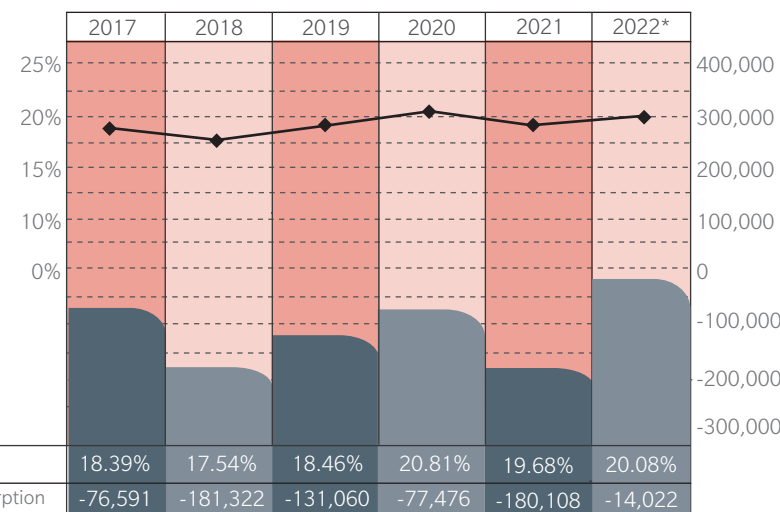
### SUBURBAN OUTLOOK

The suburban market experienced 14,002 square feet of negative absorption in the first quarter. The vacancy rate in the suburbs increased from 19.68% to 20.08%. Overall average asking rents remained flat at \$19.55 per square foot, with Class A rates at \$23.01 per square foot and Class B rates at \$17.83 per square foot.

Irgens Partners bought 25 acres at the UWM Innovation Campus, located northeast of I-41 and Watertown Plank Road in Wauwatosa, where it plans to construct two office buildings. An affiliate of Irgens purchased the land for about \$5.26 million from UWM Innovation Park, LLC, an affiliate of the UWM Foundation. Irgens plans to build a 6-story, 178,000-square-foot office building and a 2-story, 70,000-square-foot office building on the north end of the campus. Construction on the two-story building is expected to commence in the second quarter of 2022.

Goodwill Industries of Southeastern Wisconsin Inc. has sold its former headquarters campus in Greendale for \$8.2 million. The 14-acre property has a 164,800-square-foot building. It was sold to an affiliate of Hexagon Inc., a private investment company.

Goodwill announced plans to sell the campus last year and move its headquarters to the James O. Wright Center for Work & Training at 6055 N. 91st St. in Milwaukee. In addition, Goodwill late last year leased a 15,151-square-foot office space at the Summit Place complex in West Allis.



Source: Data provided by Real Estate Database, Inc. (RediComps.com) and augmented by Founders 3 Real Estate Services  
\*Reflects Year-To-Date Data

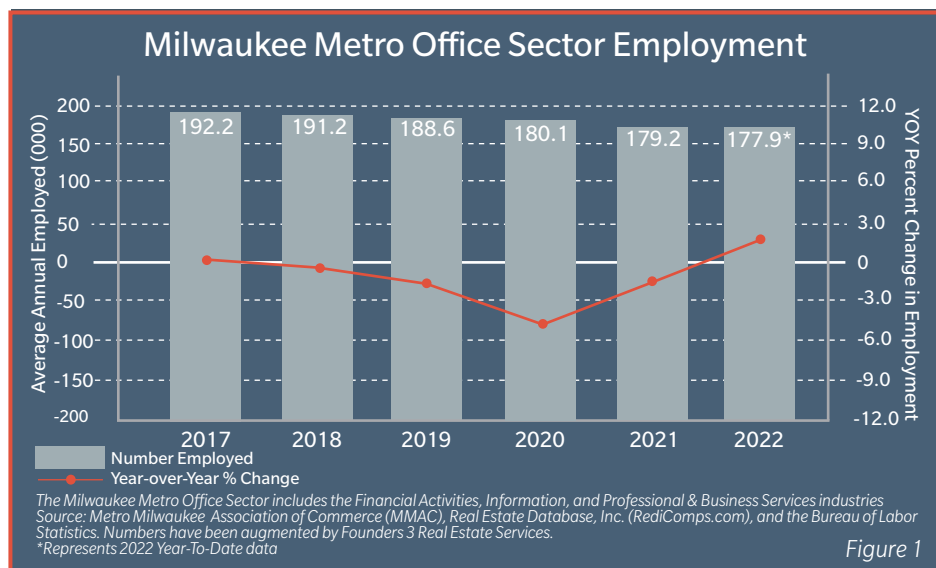


Figure 1

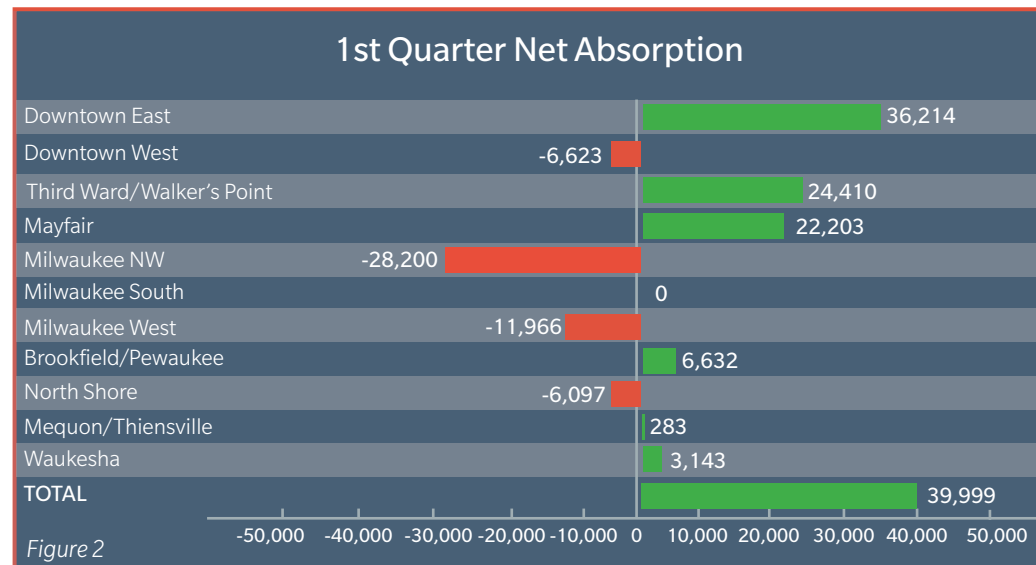


Figure 2

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Milwaukee Metropolitan Statistical Area is 3.6%, up from 2.6% since the end of the fourth quarter. The Milwaukee MSA saw a flat increase in "office using jobs", increasing by only approximately 300 jobs since 1st Quarter 2021. (See Figure 1)

Source - Metro Milwaukee Association of Commerce (MMAC), Real Estate Database, Inc. (RediComps.com), and the Bureau of Labor Statistics. Numbers have been augmented by Founders 3 Real Estate Services.

Submarket	Buildings	Building Size	Q1-2022 Vacancy %	Q1-2022 Vacant SF	Q1-2022 Absorption	Q1-2022 Sublease Space	Estimated Overall Average Asking Rent (FSG)
<b>Downtown - East</b>							
A	13	4,951,983	17.37%	860,322	32,243	121,895	\$33.14
B	31	2,729,702	19.73%	538,530	3,971	94,798	\$20.40
<b>Total</b>	<b>44</b>	<b>7,681,685</b>	<b>18.48%</b>	<b>1,398,852</b>	<b>36,214</b>	<b>216,693</b>	<b>\$24.49</b>
<b>Downtown - West</b>							
A	2	622,938	63.38%	394,795	605	12,868	\$22.49
B	22	2,910,522	17.51%	509,734	(7,228)	64,497	\$20.89
<b>Total</b>	<b>24</b>	<b>3,533,460</b>	<b>25.60%</b>	<b>904,529</b>	<b>(6,623)</b>	<b>77,365</b>	<b>\$21.21</b>
<b>Third Ward/Walker's Point</b>							
A	5	570,416	42.26%	241,056	1,070	19,693	\$26.97
B	33	1,912,183	13.08%	250,027	23,340	32,073	\$24.01
<b>Total</b>	<b>38</b>	<b>2,482,599</b>	<b>19.78%</b>	<b>491,083</b>	<b>24,410</b>	<b>51,766</b>	<b>\$24.88</b>
<b>Mayfair</b>							
A	12	1,491,894	9.50%	141,804	30,016	2,096	\$26.44
B	26	1,290,005	24.47%	315,626	(7,813)	19,113	\$18.07
<b>Total</b>	<b>38</b>	<b>2,781,899</b>	<b>16.44%</b>	<b>457,430</b>	<b>22,203</b>	<b>21,209</b>	<b>\$20.40</b>
<b>Milwaukee - NW</b>							
A	6	789,885	24.54%	193,811	13,955		\$22.26
B	24	1,177,328	28.42%	334,546	(42,155)	55,285	\$16.39
<b>Total</b>	<b>30</b>	<b>1,967,213</b>	<b>26.86%</b>	<b>528,357</b>	<b>(28,200)</b>	<b>55,285</b>	<b>\$17.86</b>
<b>Milwaukee - South</b>							
A	2	111,067	13.86%	15,390	0		\$25.00
B	7	260,489	12.27%	31,953	0		\$16.21
<b>Total</b>	<b>9</b>	<b>371,556</b>	<b>12.74%</b>	<b>47,343</b>	<b>0</b>	<b>-</b>	<b>\$17.97</b>
<b>Milwaukee - West</b>							
A	-	-	-	-	-	-	-
B	15	1,609,495	14.16%	227,934	(11,966)	73,098	\$17.70
<b>Total</b>	<b>15</b>	<b>1,609,495</b>	<b>14.16%</b>	<b>227,394</b>	<b>(11,966)</b>	<b>73,098</b>	<b>\$17.70</b>
<b>Brookfield/Pewaukee</b>							
A	36	2,397,278	24.11%	577,905	(30,145)	13,258	\$22.36
B	76	3,376,673	19.23%	649,228	36,777	4,250	\$18.66
<b>Total</b>	<b>112</b>	<b>5,773,951</b>	<b>21.25%</b>	<b>1,227,133</b>	<b>6,632</b>	<b>17,508</b>	<b>\$20.46</b>
<b>North Shore</b>							
A	3	233,538	62.32%	145,546	(5,507)	3,953	\$23.37
B	25	821,084	17.61%	144,607	(590)	15,050	\$19.93
<b>Total</b>	<b>28</b>	<b>1,054,622</b>	<b>27.51%</b>	<b>290,153</b>	<b>(6,097)</b>	<b>19,003</b>	<b>\$20.96</b>
<b>Mequon/Thiensville</b>							
A	4	127,493	19.44%	24,789	0		\$24.00
B	11	307,535	23.68%	72,831	283		\$16.73
<b>Total</b>	<b>15</b>	<b>435,028</b>	<b>22.44%</b>	<b>97,620</b>	<b>283</b>	<b>-</b>	<b>\$19.15</b>
<b>Waukesha</b>							
A	-	-	-	-	-	-	-
B	42	1,397,123	15.78%	214,879	3,143	8,084	\$17.25
<b>Total</b>	<b>42</b>	<b>1,397,123</b>	<b>15.38%</b>	<b>214,879</b>	<b>3,143</b>	<b>8,084</b>	<b>\$17.25</b>
<b>GRAND TOTAL</b>							
A	83	11,296,492	22.98%	2,595,418	42,237	173,763	\$25.11
B	312	17,792,139	18.49%	3,289,895	(2,238)	366,248	\$18.75
<b>Total</b>	<b>395</b>	<b>29,088,631</b>	<b>20.23%</b>	<b>5,885,313</b>	<b>39,999</b>	<b>540,011</b>	<b>\$20.66</b>

\*Source: Data provided by the Real Estate Database, Inc. (REDIComps.com) and augmented by Founders 3 Real Estate Services



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An aerial photograph of a city skyline, likely Milwaukee, featuring a large arena with a curved roof in the foreground. The arena has "fiserv forum" written on its side. In the background, a dense cluster of skyscrapers forms the city skyline under a hazy sky. The company logo "FOUNDERS3" is overlaid on the image, with "FOUNDERS" in dark blue and "3" in red, separated by a vertical red line. Below the logo, the text "REAL ESTATE SERVICES" is written in a smaller, grey font.

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